



Strategic Thinking and Entrepreneurial Orientation of SMEs Businesses in Oyo State, Nigeria

FOLUSO OLUGBENGA ARIBABA
Federal University Oye-Ekiti, Ekiti State, Nigeria.

ABDUL-LATEEF OLAMIDE AHMODU
Wesley University, Ondo, Nigeria

MOROHUNMUBO OLAYINKA AKINRINLOLA
Bowen University Iwo, Osun State, Nigeria

Abstract. The study examined the influence of strategic thinking on entrepreneurial orientation of SMEs in Oyo States, Nigeria. The research design used for the study was survey research design. The population of the study was 1,864,954 SMEs in Oyo State that are registered with SMEDAN. The sample size of 400 SMEs was selected from the state using simple and stratified random sampling techniques. The instrument used was questionnaire. The instrument was validated and the reliability of the instrument displays a coefficient value of 0.715. The study employed normality test and spearman correlation analysis was used to determine the degree of influence exists between strategic thinking and entrepreneurial orientation variables. The null hypotheses were tested at 5% level of significance ($\alpha = 0.05$). The findings revealed positive significance value among the variables. Thereby, null hypotheses were rejected. The study concluded that strategic thinking has significance influence on entrepreneurial orientation of SMEs in Oyo State. It is therefore recommended that to improve entrepreneurial orientation among the SMEs, there should be sustainable improvement on SI and OI. Strategic thinking has shown the favourable improvement on EO, hence, must be embraced in Oyo State.

Keywords: Strategy, Thinking, Entrepreneurial Orientation and SMEs Businesses

1. Introduction

A critical component of the dynamic management process is strategic thinking. It is crucial to thoughtfully integrate different strategic stances and

consider how these countless options influence a SMEs value-creating process. When a company is poorly managed, strategic thinking can help it become more environmentally adaptable and maintain a bird's-eye view of the entrepreneurial orientation of SMEs business owners. Strategic thinking enables entrepreneurs to think critically and perform based on their business orientation. Therefore, strategic thinking is essential for an entrepreneur to perform well in an environment where competition is fierce and new, emerging competitive forces threaten the SMEs' survival (Pisapia, 2009; Akinrinola, Aribaba & Ahmodu, 2022). The paradigm shifts by SMEs are a major catalyst for global competition, technological disruptions, and shifting customer expectations, which place new demands on entrepreneurial orientation strategies and lead to the vagaries of various businesses.

These changes compel business owners to develop a strategic intent to find novel strategies that offer direction in a chaotic environment. SMEs businesses gain from having a clear strategy for achieving their goals and adhering to strategic intent. The strategic thinker must incorporate the intelligent opportunism of the business environment into a vision of what the SMEs businesses could become to restore entrepreneurial competitiveness. Stemming from the military, where the word strategy originated, it is the distribution of resources to ensure the greatest likelihood of victory (Grant, 2016). Its application in business is more pertinent than one might initially think. Consequently, a strategy is how managers, the business, and employees can work together to

achieve a goal. Strategy is also essential to successful management (Haycock, Cheadle, & Bluestone, 2012).

Abiodun and Mahmood (2015); Akinrinola, Aribaba, and Ahmodu (2022) explained that the success of any business enterprise does not come on a platter of gold. Business owners adopted strategic thinking to be able to achieve entrepreneurial orientation and to have a competitive advantage. It has been noticed that many SMEs still need to embrace the strategic thinking approach in their operations. Due to the increasing complexity and volatility of the business environment, entrepreneurial orientation has become crucial for every business enterprise. Any business must be entrepreneurial to succeed and endure in the current business climate (Arshad & Rash, 2018). The study of Shirokova and McDougall–Covin (2012); Wales, Shirokova and Sokolova (2015) explained that strategy-making process is where entrepreneurial orientation (EO) first emerged.

2. Problem Statement

Prior research needs help constructing a coherent theory about the nature of strategic thinking that will maintain its shape when put to the test in practice (Scroggins, 2015). However, there is a persistent belief that effective managers should have some capacity for general strategic thinking. This is the point at which the study begins. What insight can be gained about the nature of strategic thinking from how SMEs perceive it? Studies from a deductive perspective are frequent and frequently very useful in research in general. However, the contradictory results and reflections surrounding the theory and nature of strategic thinking suggest that there are other approaches to examining this phenomenon (Scroggins, 2015). It has also been demonstrated that disagreement with the idea makes it difficult to teach or foster the capacity for strategic thinking.

The necessity for management research to be grounded in real-world data is also highlighted by renowned strategy and management research (Mintzberg, 2000). A significant amount of earlier research in management reveals contradictions with what has been observed when it is used in actual situations. There is a knowledge and research gap due to this discrepancy between theory and practice. It also emphasises the necessity of a deductive research strategy used in this study. Therefore, rather than relying on earlier theories or understandings of the concept, the study's motivation for using a qualitative approach is to try to understand the world being studied (Charmaz, 2006).

3. Purpose of the Study

The study examined the influence of strategic thinking on entrepreneurial orientation of SMEs in Oyo State, Nigeria. The specific objectives sought to:

- assess how strategic intent influences the entrepreneurial orientation of SMEs in Oyo State
- predict how intelligent opportunism influences the entrepreneurial orientation of SMEs in Oyo State

4. Research Hypotheses

- There is no significant influence between strategic intent and entrepreneurial orientation of SMEs in Oyo State.
- There is no significant influence between intelligent opportunism and the entrepreneurial orientation of SMEs in Oyo State.

5. Literature Review

Bonn (2001) opined that businesses successfully foster individual and organisational strategic thinking can develop a core competency as the foundation for long-lasting competitive advantage. This viewpoint necessitates making strategic thinking a key component of an organisation's long-term success. The study found that most SMEs used strategic management tools. The results also demonstrated that most SMEs require a flexible strategic mechanism, which makes it challenging for them to respond effectively to environmental changes. Liedtka (1998) identifies the fundamental components of strategic thinking such as systems perception, strategic intent (intent focus), intelligent opportunism and hypothesis-driven thinking. Strategic thinking requires thinking across time (past to future) and testing hypotheses.

According to Hanford (1995), strategic thinking entails a helicopter view and a breakdown of the most important problems. On the other hand, Mintzberg (1994) identifies the necessity of inductive thinking and provides specific approaches to problem-solving. Therefore, strategic thinking necessitates both specific task completion and specific mental strategies. According to Gibson and Cassar (2002), there is a connection between strategic planning and business performance, as supported by empirical data. According to Graetz (2002), creative individuals who can step outside their comfort zones and think strategically fare better in situations with few structures in the information. There are a

plethora of tests and methods available today that claim to identify creative people. He further combining these selection criteria with follow-up training programs can help the chosen candidates learn how to think and act in unstructured situations. Akinrinola, Aribaba, and Ahmodu (2022) points out that planning, as we typically understand it differs from strategic thinking. Analysis, a key component of planning, calls for logic, reasoning, linear thinking, and rational thought. It requires the ability to work with both words and numbers. On the other hand, strategic thinking emphasises synthesis and integration and calls for the capacity to consider novel possibilities when dealing with substantial amounts of data and the ability to put disparate pieces together to form a comprehensive picture. It also requires the ability to spot patterns and visual images. In contrast to strategic planning, strategic thinking uses different data sources and uses different data analyses. According to Pisapia (2009), strategic thinking is the capacity to examine driving forces inside and outside the organisation to identify a strategic direction that would direct the organisation's decision-making and resource allocation for three to five years.

An overview of the differences between the dimensions of strategic thinking and strategic planning is provided by Leidtka's (1998) taxonomy. Strategic thinking is the mental process that comes before strategic planning or action, according to Bonn (2001) opined that future-oriented perspective, strategic formulation and implementation, managerial role in strategy making, control, and the role of management in strategy implementation are some of the dimensions of strategic thinking. Mintzberg (1994) argues that effective strategic planning can only occur following strategic thinking. He coined the term "emergent strategy" to describe the process of strategic thought and action occurring alongside operational activity. He further explained that thinking involves synthesis, which promotes intuitive, original, and creative thinking. Strategic planning and thinking are related and both critical for efficient strategic management, according to Heracleous (1998). Strategic thinking is the cognitive process that can and should precede strategic decisions and actions, whether through planning or emergent action. A core competency that can strengthen and maintain an organisation's competitive advantage can be created by a widespread and integrated capability in strategic thinking. A well-designed strategic management system facilitates the organisation's strategic thinking, according to the World Economic Forum (WEF) in Switzerland.

Ejdys (2016) examined the innovativeness and entrepreneurial orientation of small and medium-sized businesses in the Podlaske Region. The study's findings demonstrated that being proactive has a significant overall positive impact on enhancing inventiveness. The findings suggest that risk-taking discourages businesses from implementing organisational innovation, in contrast to the literature on strategic orientation. The outcomes confirmed that risk-taking has a significantly greater influence as an intermediary variable on innovation through the mediator of proactivity. This study added to the knowledge of strategic orientation by looking at the connections between innovativeness and entrepreneurial orientation.

6. Methodology

The research design used for this study was a survey research design with a population of 1,864,954 SMEs in Oyo State registered with SMEDAN. The sample size of 400 SMEs was randomly selected from the state using simple random and stratified random sampling techniques to select the sample size. The research instrument used was a questionnaire. This Questionnaire was validated. Data were collected through the administration of a questionnaire. The reliability of the instrument revealed a coefficient value of 0.715. The method of data analysis used was descriptive and Pearson Product-moment correlation analysis to determine the degree of relationship that exists between strategic thinking and entrepreneurial orientation among the SMEs in Oyo State. The regression model used by Aribaba and Ahmodu (2022) was adopted to test the null hypotheses formulated for this study. The model stated thus:

$$Y = \beta_0 + \beta_{x_1} + \beta_{x_n} + \Sigma_{it}$$

.....(Eqn. 1)

The study expands from the model in the following econometric form:

$$EO = \beta_0 + \beta(SI_{it}) + \beta(IO_{it}) + \Sigma_{it}$$

.....(Eqn. 2)

Where:

- EO = Entrepreneurial Orientation
- SI = Strategic Intent
- IO = Intelligence Opportunity
- β_0 = intercept
- $\beta_1 - 4$ = coefficients
- Σ_{it} = Stochastic error term

The apriori expectation for the sign: $\beta_1 > 0; \beta_2 > 0; \beta_3 > 0; \beta_4 > 0$: denotes the formulated null hypotheses.

Result and Interpretations
Normality Test

Table 1: Normality Test of Strategic Thinking and Entrepreneurship Orientation

Items	Kolmogorov-Smirnov ^a			Shapiro-Wilk		
	Statistic	Df	Sig.	Statistic	df	Sig.
Strategic intent	.306	400	.000	.833	400	.000
Thinking flexibility	.193	400	.000	.861	400	.000
Locus of control	.374	400	.000	.715	400	.000
Thinking horizon	.243	400	.000	.869	400	.000
Intelligent opportunity	.317	400	.000	.750	400	.000
Innovation	.205	400	.000	.850	400	.000
Pro-activeness	.268	400	.000	.746	400	.000
Risk-taking	.262	400	.000	.878	400	.000

Source: Researchers' Computation (2022)

The strategic thinking and entrepreneurial orientation normality test table shows that all items are statistically significant at 5% for both Kolmogorov-Smirnov and Shapiro-Wilk. However, since there are more than 100 data points in the study's data set, we continue to use Kolmogorov-Smirnov statistics. This normality test is required to determine which of the various types of regression analysis is appropriate for the data. After discovering that the items were normally distributed, linear regression was applied. Similarly, it was noted that the data from Oyo State opened the door for the study's use of spearman rank correlation.

Test of Research Hypotheses

Table 2: Spearman Rank Correlation Statistics

Spearman's rho		EO	SI	IO
SI	Correlation Coefficient	1.000	.685**	.949**
	Sig. (2-tailed)	.	.000	.000
	N	400	400	400
IO	Correlation Coefficient	.685**	-	1.000
	Sig. (2-tailed)	.000	.000	.
	N	400	400	400

** . Correlation is significant at the 0.05 level (2-tailed).

The spearman rank correlation table displays the positive coefficient value of the Pearson correlations analysis of the parameters. The outcome of this correlation depicts that SI has a significant influence on entrepreneurship orientation with the statistical value of ($N=400, r=0.685, P=0.000 < 0.05$); therefore, the null hypothesis, which said there is no significant relationship between strategic thinking and entrepreneurial orientation of SMEs in Oyo State is hereby rejected. The statistical outcome of IO was correlated and revealed a significant influence on the entrepreneurial orientation of SMEs in Oyo State with the statistical value of ($N=400, r=0.949, p=0.000 < 0.05$); hence, the null hypothesis which states that there is no significant relationship between intelligent opportunism and entrepreneurial orientation of SMEs in Oyo State is hereby rejected. The result of correlation analysis implies that among the variables of strategic thinking used are very strong and positive relationships. Also, from the findings, it was concluded that strategic thinking significantly influences SMEs' entrepreneurial orientation in Oyo State.

7. Discussion of Findings

The implication of the findings is that strategic intent is an aspect of strategic thinking that can improve the orientation of an entrepreneur. The finding is similar to the study of Bonn (2001), who also concluded that an adequate understanding of the strategic scanning where a business operates is very important for the orientation of an entrepreneur. The finding against the conclusion of Ejdays (2016) underscores the importance of strategic thinking on entrepreneurial orientation. This indicates that for an entrepreneur to succeed in any business, there is a need for strategic thinking to enable an entrepreneur to prioritize environmental scanning, as this will boost the orientation of an entrepreneur and pave the way for good business performance.

The result of hypothesis two is similar to the findings of Akinrinola, Aribaba, and Ahmodu (2022), which concludes their study with a positive and significant relationship between entrepreneurial orientation and planning horizon. Thus, the difference in the findings was unconnected with the fact that their study used corporate and relatively big firms as a case studies.

Therefore, intelligent opportunism in small firms is good for entrepreneurial orientation. SMEs reported low capital and limited employees with fewer chains of operations and could benefit from the opportunities in the sectors.

8. Conclusion

The study concluded that there is a significant correlation between strategic thinking and the entrepreneurial orientation of SMEs in Oyo State. As a result, among SMEs in Oyo State, strategic intent, a proximate of strategic thinking, showed a significant association between the predictor and criteria variables. The research has found that entrepreneurial mindset and strategic thinking are highly correlated. These influenced the tested hypotheses' result, which was a rejection. The intelligence opportunity hypothesis significantly impacted SMEs in Oyo State's entrepreneurial orientation. One crucial element that entrepreneurs should consider is intelligence opportunity, which has a potent descriptive effect. Therefore, a crucial technique to improve entrepreneurial orientation is strategic thinking. The conclusion has thus unanimously supported the requirement for precincts for this to be effective.

9. Recommendations

Therefore, the study suggested that important recommendations be followed to encourage strategic thinking and foster an entrepreneurial mindset among SMEs in Oyo State. This study advises businesses where SMEs are located to adopt a sustainable strategic intent to understand the potential threat, dynamism, and competition from any entity nearby that could impact the business's performance. The study has also highlighted how crucial intelligence opportunity is to entrepreneurial orientation. Strategic thinking will enable SME owners to be more active and stable in their business orientation. This suggests that the ability of SMEs to reproduce is limited in the absence of intelligence opportunities, and this should be discouraged.

References

Abiodun, T. S., & Mahmood, R. (2015). Fostering export performance in SMEs: The roles of export market orientation and learning orientation in turbulent environment. *International Journal of Economic Perspectives*, 9(2), 28.

Akinrinlola, M. O., Aribaba, F. O. & Ahmodu, A. O. (2022) Strategic management practices and

entrepreneurial orientation among small and medium scale enterprises in Osun States, Nigeria. *Fuoye Journal of Management, Innovation and Entrepreneurship*, 1(2), 152 – 162.

Arshad, A.S. & Rash, A. (2018). Entrepreneurial orientation of technology-based SMEs in Malaysia <https://www.researchgate.net>.

Bonn, I. (2001). Developing strategic thinking as a core competency. *Management Decision*, 39(1), 63-76.

Charmaz, K. (2006). *Constructing Grounded Theory: A Practical Guide through Qualitative Analysis*. London: Sage Publications.

Ejdys, J. (2016). Entrepreneurial orientation vs innovativeness of small and medium-sized enterprises. *Journal of Engineering, Project, and Production Management*, 6(1),13.

Gibson, B., & Casser, G. (2005) Longitudinal analysis of relationships between planning and performance in firms. *Business Economics*, 25(3), 207-222.

Graetz, F. (2002). Strategic thinking versus strategic planning: Towards understanding the complementarities. *Management Decision*, 40(5), 231-249.

Grant, R.M. (2016) *Contemporary Strategy Analysis: Text and Cases Edition*. John Wiley & Sons, Hoboken.

Hanford P (1995) *Developing director and executive competencies in strategic thinking* in Garratt B (eds) *Developing Strategic Thought: Rediscovering the Art of Direction-Giving* Maidenhead: McGraw-Hill

Haycock, K., Cheadle, A., & Bluestone, K. S. (2012). Strategic thinking: Lessons for leadership from the literature. *Library Leadership and Management*, 26(3-4).

Heracleous, L. (1998). Strategic thinking or strategic planning? Strategy at the leading edge. *New Research and Conference Report*, 13, 481-487.

Liedtka, J. M. (1998). Strategic Thinking: Can it be Taught? *Long Range Planning*., 31(1), 120–129. <https://doi.org/info:doi/>

Mintzberg, H. (2000) ‘View from the top: Henry Mintzberg on strategy and management’, *Academy of Management Executive*, 14(3): 31 -42

Mintzberg, H. (1994) ‘Rethinking Strategic Planning Part 1: Pitfalls and Fallacies’, *Long Range Planning*, 27(3): 12-21

Pisapia, J. (2009). *The Strategic Leader: New tactic for globalizing world*. Charlotte, NC: IAP.

- Scroggins, R. (2015). Strategic Management Theories. *Global Journal of Computer Science and Technology*, 15.
- Shirokova, G., & McDougall–Covin, P.P. (2012). The role of social networks and institutions in the internationalization of Russian entrepreneurial firms: Do they matter? *Journal of International Entrepreneurship*, 10, 177-199.
- Shirokova, G., & McDougall–Covin, P.P. (2012). The role of social networks and institutions in the internationalization of Russian entrepreneurial firms: Do they matter? *Journal of International Entrepreneurship*, 10, 177-199.
- Wales, W. J., Shirokova, G., Sokolova, D., & Stein, C. (2015). Entrepreneurial orientation in the emerging Russian Regulatory context: The criticality of interpersonal relationships. *European Journal of Management* 10, 100-120.